

2000-16B

COMMUNITY PRESERVATION FUND

TO: Assessors, Collectors, Treasurers, Clerks, Accountants, Auditors, Mayors, Selectmen, City/Town Managers, Finance Directors, City/Town Councils, City Solicitors and Town Counsels

FROM: Joseph J. Chessey, Jr., Deputy Commissioner
Division of Local Services

DATE: December 2000

SUBJECT: Implementation of the Community Preservation Act Finance Provisions

This *Bulletin* provides local officials with guidelines explaining the municipal finance provisions of the new local option Community Preservation Act. Chapter 267 of the Acts of 2000.

The Community Preservation Act, G.L. Ch. 44B, allows cities and towns that accept certain of its provisions to create a special Community Preservation Fund by assessing a surcharge on annual real estate taxes and to appropriate monies in that fund for open space, historic resource and affordable housing purposes. Communities that impose the surcharge will also receive additional monies for their special fund from a new state trust fund created by imposing a surcharge on documents recorded at the Registry of Deeds or Land Court. The enclosed Informational Guideline Release (IGR 00-209) details procedures for (1) accepting the act, (2) assessing and collecting the surcharge, (3) obtaining state distributions, (4) accounting for community preservation fund monies, (5) making expenditures from fund financing sources, and (6) budgeting and accounting for fund monies in the tax rate process.

Acceptance of the act requires approval of the legislative body and the voters at the next regular municipal or state election. Because the next state election does not occur until 2002, communities interested in implementing the surcharge for fiscal year 2002 must complete the acceptance procedure at their 2001 municipal elections. Action by their legislative bodies must be completed at least 35 days in advance of those elections. This means that many towns, especially those with early annual elections, will probably need to hold a special town meeting in the next month to six weeks in order to meet a FY02 timetable. Communities should also consider the specific data processing and other steps needed to include the surcharge on FY02 tax bills and account for those monies should the act be accepted. Additional funds may need to be provided to the appropriate financial officers so that these changes can be made in a timely fashion.

Communities adopting the act are required to meet certain minimum appropriation requirements each year. Specifically, upon recommendation of the community preservation committee the community must establish, the legislative body must appropriate or reserve for later appropriation at least 10% of the estimated annual fund revenues for each of the three basic categories of community preservation purpose expenditures: (1) open space (excluding recreational uses), (2) historic resources and (3) community housing. Annual fund revenues include estimated surcharge assessments and state trust fund distributions, but for FY02 they include only estimated surcharge assessments. To comply with the minimum appropriation requirement, the following steps must also be completed before the FY02 tax rate is set and tax bills are issued:

- A community preservation committee must be established by by-law or ordinance.
- The committee members must be selected as specified and the committee must organize.
- The committee must complete a community preservation study and plan after holding a public hearing.
- The committee must prepare budget recommendations based on the plan and the minimum appropriation requirement and present the recommendations to the legislative body for action.

If a community needs additional time to implement the surcharge, it may complete the acceptance procedure during calendar year 2001 but implement the surcharge in FY03 instead. To do so, the legislative body should specify the later implementation date in its acceptance vote.

If you have any questions about the municipal finance provisions of the act, please contact the Property Tax Bureau legal staff.